

No. 5051

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

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CLAUDE REES, CHARLES F. HINE, REES BLOW
PIPE MANUFACTURING COMPANY, INC. (a
corporation), and PROGRESSIVE EVAPORATOR
COMPANY, INC. (a corporation),
Defendants-Appellants,

vs.

NORMAN LOMBARD, MONTGOMERY FLYNN, WIL-
LIAM T. ECKHOFF, NORMAN LOMBARD and
ELLEN LOMBARD, Trustees for Ellen Lom-
bard, Elizabeth Lombard and Norman
Lombard, Junior,
Plaintiffs-Appellees.

REPLY BRIEF ON BEHALF OF DEFENDANTS-APPELLANTS.

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REPLY BRIEF ON BEHALF OF DEFENDANTS-APPELLANTS.

Permission thereunto having been obtained after argument, defendants-appellants submit the following points, arguments and authorities in reply to the first and supplemental briefs filed on behalf of the plaintiffs-appellees. As many of the assertions and contentions in plaintiffs-appellees' two briefs have been disposed of in our opening brief, we will not unnecessarily burden the court with a prolix discussion of those matters.

For convenience, we will hereinafter refer to the appellees as the plaintiffs and the appellants as the defendants.

I. NATURE OF THE CASE.

It will be unnecessary to restate the facts and circumstances out of which this litigation arose as this was done at length in our opening brief. It is sufficient to say that an analysis of the bill of complaint will reveal that this suit was brought essentially and primarily to enjoin infringement of one issued United States Patent and *two pending applications for patents not yet issued*. The defendants in their answer specifically deny the allegations of infringement in the bill, and it was upon this issue that the jurisdiction of the United States District Court was invoked. This is further attested to by the wording of the interlocutory decree from which this appeal is taken, in that it clearly and definitely states that defendants

“have infringed upon the said letters patent and upon the exclusive rights and privileges of the Progressive Evaporator Company, Inc. * * * That such infringement continued after full and due notice of the Progressive Evaporator Company, Inc.’s, rights as charged in said bill of complaint.”

(R. 92.)

It was further stated in said decree that the defendants are enjoined and restrained from:

“infringing upon and contributing to the infringement of said patent directly or indirectly and that a writ of injunction issue out.” etc.

and also:

“That the Progressive Evaporator Company, Inc., have and recover from the said defendants, * * * the profits which the last mentioned five defendants have realized and/or the damage which the Progressive Evaporator Company, Inc., has sustained from and by reason of the infringement aforesaid.” etc.

(R. 93.)

This should be sufficient to indicate conclusively the nature of this action notwithstanding the various statements of plaintiffs' counsel to the effect that this was an action brought by stockholders to set aside a certain transaction and to correct the alleged wrong done to the Progressive Evaporator Company, Inc., and *only incidentally* a suit for infringement of a patent. Notwithstanding several assertions of this nature, plaintiffs, in order to avail themselves of the jurisdiction of the federal courts, have advanced numerous arguments and contentions that are fundamentally grounded on the proposition that this is a suit brought for infringement of one issued patent and *two pending applications for patents not yet issued*. It is difficult to understand their inconsistency in this respect, for they have repeatedly attempted to stand first on one foot and then on the other. Let us examine a few of these statements and admissions to which we have alluded.

The opening statement in plaintiffs' first brief is sufficiently startling to immediately excite the interest of this court as to the jurisdictional grounds involved. The entire statement was italicized and reads as follows:

"This is an action in equity by one of the stockholders of a corporation (the Progressive Evaporator Co., Inc.) to set aside a transaction by which two of the directors of this corporation, one of whom was the secretary and treasurer thereof, entered into an agreement with the president of the corporation when the three of them constituted a majority of the directors of the corporation to take away the corporation's main asset (an exclusive license to make and sell a patented device) and give it to the president."

It will be noted that not one word is said about the infringement of patent rights being involved and it may be reasonably concluded that for the moment all thought of jurisdiction had escaped counsel's mind.

Again, on pages 32 and 33 of said brief, we note the following statements:

"In making this claim counsel shows that he has misapprehended the true nature of this action. He considers it an ordinary action for the infringement of a patent right. On the contrary, it is an action by the licensee through its stockholders against the licensors and inventors to restrain them from violating their agreement giving the licensee an exclusive right to the use of these inventions."

Also on pages 35 and 36 plaintiffs' counsel stated that:

"In their contention that the court erred in providing in the decree for a reasonable attorney's fee to be paid the plaintiff, counsel for defendants again indicate that they have overlooked the essential nature of this action. They have considered it as mainly an action for the infringement of patent rights, whereas it is mainly a stockholder's bill to right a wrong done a corporation and *only incidentally involves the infringe-*

ment of certain patent rights in which that corporation has an interest."

Once again on page 37 of the brief, appears the declaration that:

"Counsel says that the plaintiff is limited solely to the recovery of the solicitor's docket fee. He would be correct if this was an ordinary action for the infringement of a patent. But as this is an action in equity by a stockholder in favor of a corporation the rule that is set forth in the above cited cases applies and the lower court was justified in the exercise of its powers as a court of equity in making provision in the decree for the payment of the expenses of the plaintiff in this action, including a reasonable attorney's fee."

If these declarations were to be taken at face value and were solely decisive of the matter, they would undeniably tend to oust the federal court from jurisdiction. It is easy to see counsel's position at this stage of the proceedings. Admittedly not a member of the patent bar and in a strange and unknown field of practice, he became alarmed at the defendants' disclosure in their opening brief, that the record did not reveal an iota of evidence of the *construction or operation of the device* complained of to show infringement and that therefore the plaintiffs had wholly failed to sustain the burden of proof upon them to establish such infringement. Apprehensive of this unforeseen development in the case, he then conceived the strategy of calling this action something other than an infringement suit, but in so doing he temporarily forgot the matter of jurisdiction. It does not require great perspicuity to discern this fact from

the two briefs filed with their many vacillating arguments. Recognizing the insecurity of their position in this regard, plaintiffs herein, once more forsaking their determined stand that this was *not an infringement suit*, attempted to point out from the record and to argue that through concessions and admissions on the part of the defendants, infringement, the very gravamen of the complaint, was sufficiently established. That there is any such proof or inference the defendants vigorously deny and will later point out herein the complete absence of such matters in the record. In their supplemental brief, plaintiffs recognize their fatal error and attempt to remedy the same by reconciling these alleged admissions and statements with certain fallacious arguments and cases not in point. But what would seem to be decisive of the view with which counsel regards this case, was his own direct and unequivocal statement to the trial judge that this was a suit for infringement. We quote from page 117 of the record:

“Mr. ERSKINE. I was under the impression that your Honor had read the pleadings, and that perhaps that would obviate the necessity of making any statement.

The COURT. I have scanned over them, but perhaps I got lost in the great maze of them. Proceed with your statement.

Mr. ERSKINE. The situation is this: This is a stockholders' bill, commenced by Norman Lombard, and other plaintiffs, against the defendants, to enforce certain rights of the Progressive Evaporator Company against the other defendants, because of the failure of the directors to enforce those rights. The bill alleges—

The COURT. In other words, a stockholders' suit.

Mr. ERSKINE. Yes, for the infringement of a patent. It is claimed by the stockholders that the corporation might have sued for the infringement of this patent, and as it has not sued the stockholder is suing. The corporation was the licensee of these patent rights. The infringers are the patentees, themselves. That is the reason the action is brought in the federal court, under the ruling in the case of *Littleton v. Perry*, 21 Wallace, 223."

Plaintiffs seem to take the final position that because this suit

"incidentally involves infringement of certain patent rights"

is sufficient to give the federal court jurisdiction. But such is positively not the law.

II. FEDERAL JURISDICTION IS NOT FOUND IN THE MERE FACT THAT THE CONTRACT RELATES TO PATENTS.

The court in the case of *Wade v. Lawder*, 165 U. S. 624, 627, declared the law to be that:

"where a suit is brought on a contract of which a patent is the subject-matter, either to enforce such contract, or to annul it, the case arises on the contract, or out of the contract, and not under the patent laws." (Citing various authorities.)

The court in considering this matter in the case of *Victor Talking Machine Company et al. v. The Fair*, 123 Fed. 424, substantially declared the test to be that if the plaintiff is seeking a judgment for debt or damages, or a decree for cancellation or specific perform-

ance, on account of defendant's breach of his covenants, the cause of action arises out of the contract; and, though determination of the issue of breach or no breach may involve interpretation of the patent and of the prior art, the insistence that the device, according to the true construction of the patent and of the prior art, is not within the patent right granted in the contract, cannot change the nature of the action. On the other hand, if the plaintiff is seeking a judgment for damages, or a decree for an injunction and an accounting, on account of defendant's unauthorized use of the patent right in making or using or selling the device without license, the cause of action arises out of the patent laws although the determination of the issue of infringement or no infringement may incidentally involve interpretation of the contract.

The court in *By-Products Recovery Co. v. Maybee*, 288 Fed. 401, 404, expressed the rule as follows:

"It is established that, while federal courts have exclusive jurisdiction of all actions arising under the patent laws, such jurisdiction does not extend to every case in which a patent may be the subject-matter of controversy; that state courts may try questions of title and construe and enforce contracts relating to patents; that a suit to compel an assignment of a patent pursuant to a contract is within the jurisdiction of the state courts; and that, where an injunction against the sale of articles manufactured under a patent is only incidental to a decree for specific performance of a contract to convey the patent, it is within the jurisdiction of the state court, if it does not determine questions of infringement. *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U. S. 473, 32 Sup. Ct. 238, 56 L. Ed. 513. Therefore it appears that the state court had jurisdic-

tion of the matters brought before it by the petition, and upon them its judgment is conclusive.”

Incidentally, this case also is authority for the proposition, to which we later refer, that an inventor has no right in pending applications for patents which would enable him to bring a suit for infringement. In this connection it was said by the court in the above case:

“As there is no common-law right of monopoly in an invention, that which was transferred to plaintiff, according to the bill, was the inchoate right to procure letters patent (*Gayler v. Wilder*, 10 How. at page 492, 13 L. Ed. 504), of which an assignment conveys the legal title to the patent when issued (*Wende v. Horine* [C. C.] 191 Fed. 620; *Hildreth v. Auerbach* [D. C.] 200 Fed. 972; *Individual Drinking Cup Co. v. Osmun-Cook Co.* [D. C.] 220 Fed. 335). But prior to the date of his patent the inventor had no exclusive right to make, use, or sell his invention. *Brill v. St. Louis Car Co.* (C. C.) 80 Fed. 909, 910. Therefore the action in the state court was not one for infringement of a patent, but to enforce a contract establishing title to an invention, drawing with it right to obtain a patent and to enjoin violation of that contract.”

(p. 404.)

The syllabus of the case mentioned in the above opinion, that of *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U. S. 473, 474, reads as follows:

“The Federal courts have exclusive jurisdiction of all cases under the patent laws, but not of all questions in which a patent may be the subject-matter of the controversy.

Courts of a state may try questions of title and construe and enforce contracts relating to patents. *Wade v. Lawder*, 165 U. S. 624.

A suit, to compel assignment of a patent and to enjoin manufacturing and sale of articles covered thereby, because the patent is an improvement on an earlier one and included in a covenant to convey all such improvements, is based on general principles of equity, and is within the jurisdiction of the state court.

Where the injunction granted against sale of articles manufactured under a patent is only an incident to a decree for specific performance of a contract to convey the patent as an improvement of an earlier one, the relief is appropriate, and, if it does not determine questions of infringement, is within the jurisdiction of the state courts."

Also see *Lowry et al. v. Hert*, 290 Fed. 876, 878, 879, wherein the court, after reviewing certain cases, remarked:

"They establish that where the suit is clearly and plainly one brought for infringement of patent, and involving the issues usual in such cases, the fact is not fatal, whether it appears by the bill or by the answer, that the defendant has had a license under the patent, and that the matter of actual dispute between the parties is whether that license, according to its terms, is still in force. In these cases it has been considered that the main and primary question is one of infringement, and that the question whether there is a license continuing in force must be taken as a secondary and collateral dispute, however controlling it may turn out to be. If the defense of license is sustained, the plaintiff's jurisdictional case remains unimpeached, but a good defense has been shown. A license is an exception cut out of the broader right, the considerations which make such a defense incidental or collateral do not apply with the same force, if at all, where the title itself is involved.

However this might be, we think it might be conceded for the purpose of this opinion that an infringement suit in ordinary form, seeking a decree that the patent was valid and that it had been infringed, and praying injunction and accounting for profits and damages arising from infringement, would present a case arising under the patent law, even though it alleged that defendant was claiming title to the patent under a void conveyance and asked to have that conveyance set aside or disregarded as of no force."

In this last considered case, the court was of the opinion that the nature of the action was to be determined from the allegations in the complaint, but was unable to find in the bill the necessary averments of infringement, and therefore reached the conclusion that the court below never acquired jurisdiction of the case, and remanded it to that court with instructions to remand to the state court.

Thus, if in the present case, this court were to find, as plaintiffs contend in their briefs, that this is not a suit brought for infringement of certain patent rights, then the court's one remaining duty would be to send this case to the state courts for trial.

The whole proposition resolves itself into a determination of what is the gravamen of the complaint—whether infringement or contract right. If it is the former, then undoubtedly the plaintiff must sustain the burden of proof resting upon him in actions of that kind to show infringement, and could then of course invoke the jurisdiction of the federal courts. But if the gravamen of the complaint is based on contract rights *and only incidentally involves patent*

rights then the federal courts have no jurisdiction and the case should be sent to the state courts.

Also see *Atherton Match Co. v. Atwood-Morrison Co.*, 102 Fed. 949, wherein the historical development of this rule of law is thoroughly reviewed.

It thus clearly appears that once having raised certain issues in the complaint, the burden rests upon plaintiffs to sustain the material allegations of their bill and this proof must be in accord with their pleadings.

The case of *American Brake Shoe and Foundry Co. v. Pittsburgh Rys. Co.*, 296 Fed. 204, 213, is authority for

“the doctrine that *allegata and probata* must be in accord applies to equity, as well as common-law trials, and the averments of the bill as averred must of course be found to be in accord with the facts as disclosed by the evidence.”

III. THERE CAN BE NO INFRINGEMENT OF A PENDING APPLICATION FOR A PATENT AND THE DECREE IN GRANTING AN INJUNCTION AGAINST SUCH INFRINGEMENT SHOULD BE REVERSED.

Plaintiffs in their supplemental brief have devoted much discussion to the proposition, as expressed on page 9, that

“As the Federal court of Equity had jurisdiction of the action because it involved the infringement of a patent it had jurisdiction to grant complete relief to the plaintiffs including the restraint of the violation of the license agreement in all respects.”

They further state that it cannot be claimed:

“In view of the decisions that the fact that the plaintiffs in addition to seeking relief from the infringement of the patent also ask relief against the violation of the license agreement in other respects ousts this court of its jurisdiction. The decisions hold that the court is not deprived of its jurisdiction by reason of the existence of other questions beside the question of the infringement of the patent.”

We are much surprised that a point should be made of such an elementary rule of federal jurisprudence. We have never contended that the court is ousted of jurisdiction as to the entire suit, but we do insist that the court has no power to enjoin violation of the monopoly which does not exist, i. e. as to the *pending applications*. The proposition that the award of an injunction and an accounting for an alleged infringement of mere *pending applications* is entirely contrary to law, seems too obvious to warrant discussion. Under subject IV of our opening brief, we thoroughly discussed this point and the cases in support thereof and we note that plaintiffs have not cited a single authority, even remotely to the contrary. In their first brief pages 32 to 35, plaintiffs contend that before the granting of a patent, an inventor has a qualified property in his invention and may give an exclusive license for the use of such an invention, even before it is patented. We have never denied this and it is entirely beside the point. The cases cited by plaintiffs, without exception, do not go so far as to say that an inventor has such right in his invention, and before the patent is granted, as would enable him to bring suit for infringement of a *pending applica-*

tion. That is the very essence of the present question under consideration. Independently of all other questions, no courts, either state or federal, have ever accorded such relief as is herein sought, as to pending applications, and this would be especially true on a record such as this where there is absolutely *no evidence as to the construction or mode of operation of the invention covered by the pending applications.*

Plaintiffs have cited the case of *Excelsior Wooden Pipe Company v. Pacific Bridge Co.*, 22 Sup. Ct. Rep. 681, on page 9 of their supplemental brief, but, have failed to point out that no pending applications were involved in that suit. It is undeniably true that questions of *title* as to the monopoly alleged to be infringed necessarily are included within the court's purview. But it cannot be contended from this that the court has any jurisdiction over the purely contractual matters not relating to the title to patent in suit. Indeed the very reverse is true and the *Excelsior* case may be taken as authority for this proposition. It will also be noted that in this connection the case of *Littlefield v. Perry*, 21 Wall. 221, is cited. An examination of this case reveals the fact that it was unquestionably a suit for infringement, and the court in saying that

“such a suit may involve the construction of a contract as well as the patent, but that will not oust the court of its jurisdiction. If the patent is involved, it carries with it the whole case.”

goes no further than the well recognized rule, nor does it mean to say any more than that the title to the monopoly, and infringement thereof, may always be considered together.

Plaintiffs state on page 13 of their supplemental brief:

“Thus it will be seen that the fact that the bill of complaint asked for an injunction restraining the violation of the license agreement in other respects, besides the infringement of the patent did not oust the court of jurisdiction and the court made no error in restraining all other violations, by the defendants or the license agreement, as well as the infringement of the patent.”

It is significant that they cite no authorities in support of this obvious fallacy and we challenge them to present a single case wherein the court has undertaken to consider and determine anything more than the question of infringement and the title to the monopoly.

Further along on the same page, plaintiffs say:

“As the federal court had jurisdiction to prevent the infringement of the patent by the defendants it could also enjoin the violation of the license agreement in all other respects by the defendants.”

This is to say, in effect, that the trial court could award relief for infringement of two *pending applications*, which is obviously relief no court can grant.

In the last paragraph on page 15 of said supplemental brief, the statement is made that:

“It was shown at the trial that not only had defendants entered into a license agreement with Neal and Ward which required them to violate the license agreement given the corporation but also the Rees Blow Pipe Mfg. Co., under their control entered into a manufacturing agreement with Neal and Ward which required it to violate the license agreement.”

It is to be noted that the manufacturing agreement between the Rees Blow Pipe Mfg. Co. and Neal and Ward was not introduced in evidence, and that neither said agreement nor the one between Rees and Hine on the one part and Neal and Ward on the other, included any description of the construction and operation of the evaporators to be manufactured, and made no attempt to show their detailed construction and mode of operation which was necessary before the twelve claims could be said to have been infringed. We know of no case which has ever attempted to enjoin the violation of a license per se, and yet this is, in effect, what the plaintiffs herein are seeking. Their statement at the bottom of page 16 of the supplemental brief that if the defendants were not infringing these inventions they are not then harmed by the injunction of the court, which merely restrained them from such infringement, is both inaccurate and misleading, as the decree also ordered an accounting. (R. 95.)

Plaintiffs then continue by making the assertion that as pointed out in their first brief, pages 8 to 10 and 32 to 35 thereof, the corporation was entitled to protection against the violation of its license by the defendants who were its licensors, and, at the same time its officers and directors, irrespective of whether or *no there was an infringement of patent involved*. This, as may be seen from the context, constitutes an entirely different stand, and we note the significant fact that no authorities are cited in support of such a contention. Plaintiffs then state that:

“the fact that there were other respects in which the license agreement was violated besides the infringement of the patent did not oust the court of jurisdiction.”

(p. 17, Supplemental Brief.)

It is interesting to note that none of the cases cited by plaintiffs are authority for such a contention and that not a one of them went any further than to hold that the presence of the question of title to the monopoly did not oust the jurisdiction.

IV. DEFENDANTS' ANSWER SPECIFICALLY AND POSITIVELY DENIED INFRINGEMENT.

The plaintiffs have devoted a considerable part of both briefs to a discussion of what they term “admissions” in the defendants’ answer. The stand was first taken that said answer admits the manufacture and sale of patented devices and that therefore infringement follows as a conclusion (see pages 11 to 15 of plaintiffs’ first brief), and then in the supplemental brief they attempt to enlarge upon this point. (Pages 24 and 25.) Plaintiffs have furthermore quoted passages from defendants’ answer but have studiously avoided a quotation in full of all relevant denials of infringement. An inspection of the denials in said answer cannot fail to convince even the most prejudiced reader that infringement has been specifically and positively denied. In support of this contention, we have below set out for the court’s convenience, the various allegations of infringement in the bill of complaint and the denials of such infringement in defendants’ answer.

“That thereafter the said Neal, Rees and Hine, entirely neglected the business of the said Progressive Evaporator Company, Inc., and disregarded and ignored its rights in all particulars, and in violation and infringement of the patent rights and of the letters patent covered by the said license agreement, in which the said corporation has an interest by virtue of said license agreement, the said Rees and Hine, and the Rees Blow Pipe Manufacturing Company, Inc., and the said defendants Neal and Ward individually, and as copartners have manufactured and sold and are now manufacturing and selling the said patented devices, and that said defendants last above mentioned ever since the 13th day of January, 1923, in pursuance of said fraudulent conspiracy and scheme have infringed and violated the said rights secured by said patents above referred to, and the interests of the Progressive Evaporator Company, Inc., to said patent rights created by said license agreement.”

“These defendants deny that thereafter, said Neal, Rees and Hine, or any of them, neglected entirely, or otherwise, or at all neglected the business of said Progressive Evaporator Company, Inc., and/or disregarded and/or ignored its rights in all or any particulars and/or in violation and/or infringement of the patent rights and/or of the letters patent covered by said license agreement said Rees and Hine and/or Rees Blowpipe Manufacturing [67] Company, Inc., and/or said defendants, Neal and Ward, individually and/or as copartners have manufactured and/or sold and/or are now manufacturing or selling said patented devices and/or that said defendants Rees, Hine and Neal, or any of them, ever since January 13th, 1923, in pursuance of said fraudulent conspiracy and/or scheme and/or at any other time *or at all*, have infringed and/or violated said rights secured by said patents above referred to, and/or the interests of said Progressive Evaporator Company, Inc., to said patent rights

Plaintiffs' Bill of Complaint
(continued).

“That the defendants Dee Hi Food Products Company, A. C. St. Marie with full knowledge of the facts set forth hereinbefore and well knowing the rights of the Progressive Evaporator Company, Inc., as set forth herein, to exclusively manufacture and sell the said drying systems and equipment, have assisted, and are now assisting and aiding and abetting the defendants, Rees, Hine, Neal, Ward and the Rees Blow Pipe Manufacturing Company, Inc., in the manufacture and sale of said devices, drying systems and equipment, and in the infringement of said patent and patent rights.”

(R. 24 and 25.)

Defendants' Answer
(continued).

created by said license agreement.”

“These defendants deny that the defendants, Dee Hi Food Products Company and A. C. St. Marie, or either of them, as alleged in Paragraph XVIII of said complaint, or otherwise, or at all, have assisted, and/or are now assisting, and/or aiding and/or abetting defendants Rees, Hine, Neal, Ward and Rees Blowpipe Manufacturing Company, Inc., or any of them, in the manufacture and/or sale of said devices, and/or drying systems, [69] and/or equipment, in the infringement of said patent and/or patent rights, or any thereof.”

(R. 81.)

“These defendants deny that the defendants, or any of them, threaten and/or declare that they, or any of them, will continue to infringe upon said patent and/or patent rights or any thereof. In this behalf these defendants allege that *none of said defendants are now or ever have infringed upon any*

rights of plaintiff in or to the devices, drying systems and equipment or any thereof, referred to in the bill of complaint."

(R. 81, 82.)

It will thus be seen that the issue of infringement has been unquestionably raised by the pleadings. The defendants have denied infringement in positive and certain terms, and have a right to expect the Appellate Court to consider this as an appeal from an interlocutory decree enjoining infringement of one issued United States patent and *two pending applications for patents not yet issued*.

Throughout plaintiffs' discussion of this feature of the case, they have persistently extracted from defendants' answer only certain passages which seem to them to be open to attack, and they have deliberately and consistently closed their eyes to the positive denials of infringement in said answer. But conceding solely for the purpose of argument, that the answer did not contain these unequivocal and complete denials of infringement which the plaintiffs have so studiously overlooked and which we have above set forth, but embraced only those parts which plaintiffs have elected to criticize, we still earnestly contend that even in that case the answer is so drawn as to positively deny infringement.

In this connection, we quote from 21 *Corpus Juris* 483:

“While an answer is subject to exceptions if it denies evasively instead of directly, or generally instead of specifically, or literally instead of substantially, such denials are not taken to admit the facts attempted to be controverted. A general denial or a negative averment in an answer, although insufficient on exceptions, cannot be deemed an admission of the averments of the bill thus denied, after replication, and no relief can be granted upon those averments in the absence of proof.”

While it is true that the Equity Rules have abolished exceptions to answers, they have also provided other remedies to be taken advantage of by a plaintiff who is confronted by an evasive, ambiguous or incomplete answer. Had plaintiffs in the present action so considered defendants' answer, under the present Equity Rules they could have moved to strike out, and upon the court's ruling that the answer disclosed no defense and contained no direct denial of the allegations in the bill, they could have taken a decree *pro confesso*.

Thus, in the case of *Western Union Telegraph Company v. Louisville & N. R. Co.*, 261 Fed. 654, a motion was made to strike out part of the defendant's answer on the ground that said answer did not raise issues on which the defendant was entitled to a hearing.

In the case of *Johns-Pratt Co. v. Sachs Co. et al.*, 176 Fed. 738, 739, 740, the plaintiff moved to strike out a part of the defendant's answer. In this connection, the court remarked:

“The paragraph of the answer above set forth is the cause of this contention. It has been excepted to as impertinent, and a motion to strike

it out has also been entered, charging that it is impertinent, immaterial, and irrelevant. The question of law which stares us in the face is this: Does an allegation that the complainant is a party to an unlawful conspiracy, which tends to restrain trade and oppress the defendant in its business, afford any defense to a suit for the infringement of letters patent, the title to which is vested in the complainant?

This question has been answered in the negative by the courts with such unanimity and decisiveness that it would be wasted energy for me to do more than cite *National Folding Box & Paper Co. v. Robertson* (C. C.) 99 Fed. 985.

* * * * *

To leave the paragraph in, because it sets up an alleged substantive defense, which has been, time and again, decided by the courts to be a futile defense, would be, to my mind, an idle thing and a travesty. If it shall so happen that upon final hearing the issues shall be decided against the defendants, it seems to me to be obvious that the action of the court with regard to the objectionable paragraph, if wrong, could be remedied on appeal.

The motion to strike out is granted.”

Thus, it may be seen that had the plaintiffs considered the defendants' answer to be unresponsive, equivocal, ambiguous or to have contained immaterial and irrelevant matters, they could have availed themselves of their remedy by motion to strike out. It is now too late, therefore, for plaintiffs to contend here that the defendants' pleadings were insufficient and failed to raise the issue of infringement.

On pages 11 to 15 of their first brief, plaintiffs have cited certain authorities in support of their contention that the defendants' answer does not “specifically

deny infringement". Of course, throughout this argument, they have applied their authorities to only those parts of the answer which they elected to take advantage of, and have utterly disregarded the positive denials of infringement which this answer certainly contains. The plaintiffs state that they rely principally on two certain cases, that of *Ely v. Mounson* and *B. Mfg. Co.*, 8 Fed. Cas. 605, Case No. 4431; and,

Jordan v. Wallace, 13 Fed. Cas. 1104, Case No. 7523.

To show the inapplication of the former case, we quote from the opinion on page 605:

"And when plaintiff alleges that defendant used a certain machine, *which he describes*, and defendant *does not disprove or deny* it is an admission that he uses such a machine."

The above case apparently was not tried in open court, but following one of the old customs was submitted for determination on affidavits filed in conjunction with the pleadings. The opinion indicates that the plaintiff had completely described the construction and operation of the device in question and the defendant had failed to *deny or disprove* the plaintiff's case. Thus, it is perfectly obvious that the two situations are not comparable and the case cannot be said to be in point in a single material respect.

Plaintiffs' counsel has also cited and quoted from the case of *Gordon v. Wallace*, supra. This case is not in point for the following reasons:

In actions for infringement, the usual and customary allegations in the bill are that defendant made,

used and sold devices embodying and containing the invention disclosed and claimed in and by certain letters patent, and thereby has infringed upon said letters patent, and upon each and all of the claims thereof. Thus, it will be seen that the averment of infringement is a mere legal conclusion. The defendant, in order to put the question of infringement into issue, will follow in his denial the language of the complaint and usually will deny the making or using or selling of devices embodying or containing the alleged invention disclosed or claimed in or by said alleged letters patent, and will further deny that he has infringed upon said letters patent or upon any of the claims thereof. Counsel in the present case has not followed this usual form, but has alleged that the defendants "in violation and infringement of the patent rights and of the letters patent covered by said license agreement, in which the said corporation has an interest by virtue of said license agreement", had manufactured and sold the devices, and have, pursuant to said fraudulent conspiracy and scheme, infringed and violated the said rights secured by said patent referred to. In their answer the defendants follow the language of the complaint and deny the violation or infringement of the patent right and/or of the letters patent covered by said license agreement, and deny that they have "manufactured and/or sold and/or are now manufacturing or selling said patented devices and/or that said defendants * * * in pursuance of said fraudulent conspiracy and/or scheme and/or at any other time *or at all*, have infringed and/or violated said rights secured by said patent above referred to".

Thus, it is clearly seen that each and every averment contained in the bill has been specifically denied by defendants and, in fact, it is perfectly obvious that the pleader followed very closely and carefully the allegations of the complaint. It is never required of a defendant that he deny more than is alleged in the bill. As pointed out in our opening brief, the issue framed by the pleadings is the usual issue of non-infringement in a patent suit. The fact that both the bill and answer contain allegations and denials with respect to infringement of rights under the license agreement, is merely surplusage and concededly the jurisdiction of the court below and of this court depends upon the fact that the suit is one for alleged infringement of letters patent and not for breach of any contract.

In the case of *Jordan v. Wallace*, supra, cited by plaintiffs, it clearly appears that the bill contained an allegation of the use of the invention described in the patent which the defendants *did not deny*. They merely denied that it was used

“with a full knowledge of the premises mentioned in said bill of complaint and in violation of the complainant’s exclusive rights secured by the patent of 1864.”

It will thus be seen that in said case, the denials in the answer did not meet the language of the complaint, and no denial of the use of the device was even pretended. It created a situation where one of the main averments of the bill was, in effect, left unanswered, although referred to by a negative pregnant.

The case in this respect differs materially from the one at bar. Furthermore, in rendering its opinion in the above case, the court took into consideration that the answer contained *express admissions* that certain features of the device complained of were made and constructed in some respects substantially in imitation of the improvement claimed by the patentee. There is in the present case no feature at all analogous to that situation. In their supplemental brief, pages 24 to 25, plaintiffs do no more than to reassert their old argument that the answer does not unequivocally deny manufacture and sale of the patented device, and they then set out an incomplete and misleading part of defendants' answer. We entirely fail to comprehend counsel's argument that the answer should go further than the bill of complaint and deny an allegation not contained or mentioned therein.

Furthermore, it is said that the defendants' denial is "nothing but the denial of a conclusion of law". Counsel seems to be unaware of the fact that such is the only possible denial in a patent suit because infringement can only be alleged, as plaintiffs did in this case, in the form of a conclusion of law. Our last thought on this feature of the case, is that although a defendant would admit making, using or selling some device, the real issue would be whether or not such device embodied the patented invention, and therefore infringed. Thus, the burden rested upon plaintiffs to affirmatively prove the manufacture and sale of a device *embodying the combination of elements defined in one or more of the twelve claims of the patent in suit*. The patent in question covers

an invention of a very narrow and restricted scope residing principally in details of construction. Each of the twelve claims is a combination claim consisting of an enumeration of a long list of elements, each forming part of the claimed combination. As pointed out in our opening brief, it is elementary that to show infringement of such claims, it is essential to show in the machine complained of *the presence of each and every of the enumerated elements of the claim relied upon operating in the alleged infringing device according to the same mode of operation as that of the machine of the patent and accomplishing the same result*, in order to establish infringement of said claim. Thus, the question before the court is whether the plaintiffs have sustained that burden of proof, and, in this connection, it is practically conceded that there is *no proof in the record*. On page 31 of the supplemental brief, counsel has made the admission that

“It is obvious therefore that the proof of this question was not fully developed.”

and then he endeavors to excuse the omission by adding:

“Because of the attitude of the defendants themselves.”

He would, in effect, place on the defendants the burden of developing the plaintiffs' own case, an unheard of contention in legal practice. Never before have we heard it urged that the defendant can be held responsible for the plaintiff's lack of proof of the material allegations of his own complaint.

V. DEFENDANTS POSITIVELY DENIED INFRINGEMENT AND WERE UNDER NO DUTY TO POINT OUT TO PLAINTIFFS THEIR FAILURE TO SUSTAIN THE BURDEN OF PROVING INFRINGEMENT.

Plaintiffs attempt next to patch up their omission to prove infringement by advancing the argument that:

“The case was tried on the theory that the manufacture and sale by the defendants of the patented device was conceded.”

They devote to this contention pages 15 to 21 of their first brief, and pages 21 to 23 of their supplemental brief, although in the latter brief, they apparently forsake their argument of theory to contend that the

“Defendants conceded infringement at the trial of the action.”

The cases cited by plaintiffs are obviously not in point with the issues herein and need no discussion. After a thorough review of the authorities dealing with the theory upon which a case is tried, we have failed to find a single case which even remotely suggests that where there is a failure of proof to support the allegations of the complaint, the defendant is under the burden of introducing proof to disprove such allegations. That is the sole proposition before this court in this connection. The plaintiffs herein advance a certain theory in their complaint and the application of said theory was put in issue by the denials contained in defendants' answer. At the trial of the cause counsel utterly failed to develop his theory and neglected to offer proof to sustain the

material allegations of the complaint and now on appeal wishes to charge defendants with that dereliction.

Plaintiffs in both briefs refer to a remark of defendant's counsel as to the main issue involved. It is submitted that we have never heard of a situation where plaintiff's counsel, in failing to cover a certain point in his opening statement, can still expect defendant's counsel to point out to him his neglect and oversight in that regard, and, in effect, educate him in the trial of a lawsuit. And yet that identical situation is here presented. Defendants denied infringement in their answer and no duty or burden of proof or even reference to that denial is required of them until the plaintiffs offered proof in support of the burden of proving infringement, from which duty they cannot escape. It is inconceivable that there can be a question as to such a simple proposition as this and it certainly requires a remarkable inventive faculty to attempt to construe plaintiffs' failure of proof into the advancement of a theory, on the part of defendants, that such proof is unnecessary.

In other words, can plaintiffs' failure to offer proof of a material issue raised by the bill and answer, commit *defendants* to the theory that such proofs are unnecessary and deprive defendants of the right to urge such lack of proof on appeal? This is the very gist of plaintiffs' contention here. Yet no authority is cited by them and it is inconceivable that there could be any authority in support of such a proposition. Cases dealing with this point almost invariably are based on a state of facts where the plaintiff him-

self has raised certain issues by the pleadings, has then tried the case on those issues, and then, on appeal, has attempted to rely on other issues and contentions not revealed in said pleadings, or brought to light at the trial of the case. There is obviously a complete and full distinction between that line of cases, and the present one wherein there has been a complete failure of proof on the part of plaintiffs to sustain the material allegations of their bill.

VI. DEFENDANTS DID NOT COMMIT THEMSELVES TO A THEORY BECAUSE THEY MADE NO ATTEMPT TO DISPROVE AN ISSUE RAISED BY THE PLEADINGS WHEN PLAINTIFFS HAD ENTIRELY OMITTED TO OFFER ANY PROOF WHATEVER TO SUSTAIN SAID ISSUE.

It is elementary that defendants are not required to offer proof in refutation of an issue raised by the pleadings until plaintiffs have adduced some proof in support of said issue. Plaintiffs are always under the necessity of proving the material allegations of their bill, and it is inconceivable that their entire omission to produce a single shred of evidence in support of an essential issue could, in any possible manner, reflect on the defendants or commit them to a theory because they do not offer proof to disprove the unsupported issue. In other words, if the issue is not first of all established and proved, then the defendants are not required to take the initiative and attempt to refute something or other which has never been established, and, this is especially true where there was *not even an attempt to offer proof in support of the said issue.*

There is no other conclusion that could be reached in such a matter, and it is scarcely necessary to cite authorities in support of such an elementary proposition.

It is furthermore to be borne in mind that the cases dealing with departure on appeal from certain trial theories, concern themselves practically altogether with those situations wherein the *plaintiff* has neglected to raise a certain issue in the bill or has omitted to rely on and develop said issue at the trial. Thus, it is usually the plaintiff and not the defendant who develops the trial theories, unless, of course, the defendant has alleged an affirmative defense. Even in that case, the defendant would be limited to his own theories affirmatively pleaded and would not be responsible for the theories created and advanced by plaintiff.

Thus in the present case, it is impossible to construe defendants' silence on the issue of infringement which had been raised in the pleadings, to indicate a certain theory or attitude or even an inference of such. In this respect the two following cases are conclusive authority.

The case of *Brill v. St. Louis Car Co. et al.*, 80 Fed. 909, held that one's failure to produce evidence gives rise to no inference as to his lack of it. The mere fact that it was easy for defendants to disprove an intention to infringe does not make his omission to do so presumptive evidence that he entertained such intention.

It was likewise held in *Rosenthal v. Pine Hill Consol. Min. Co.*, 157 Fed. 83, that the defendant's failure to produce evidence gives rise to no inference as to his lack of it.

VII. THE RECORD IS DEVOID OF ANY ADMISSION OR INFERENCE THAT DEFENDANTS CONCEDED INFRINGEMENT.

The further contention of plaintiffs that defendants at the trial admitted or conceded infringement is also untenable. There is not in the entire record a single statement, which even if given the broadest and most liberal construction, could be said to amount to an admission. In this connection, it might be well to see what the courts have said in regard to admissions.

In the case of *Pulver v. Union Investment Co.*, 279 Fed. 699, it was held that an admission must be certain, consistent and definite, couched in language reasonably capable of the interpretation sought to be placed upon it, and conjectural and suppositious statements were excluded.

This point is illustrated very well in the opinion of the court in the case of *Wilhite v. Skelton et al.*, 149 Fed. 67, 71, wherein it was said by Judge Sanborn of the Eighth Circuit:

“Counsel for the appellee Skelton insist that at the argument of the demurrer in the trial court complainant's counsel admitted in open court that the agreement they pleaded was oral, and that the trial court decided the case in reliance upon that admission. But the transcript before us discloses no record, no certificate or

opinion of the court that any such admission was made, and there is no stipulation or admission of that fact by counsel for the complainant in any form in this court. It is true that the opinion of the Court of Appeals of the Indian Territory indicates that it was of the opinion that such an admission had been made in the trial court. But cases cannot be heard and decided in an appellate court upon the statement of counsel for one of the parties of admissions of their opponents at the hearing which are not disclosed by, and are contrary to, the transcript of the record presented to the appellate tribunal. *If they would avail themselves of such admissions in a court of review, they must by written stipulation of opposing counsel or by proper proceedings in the court of original jurisdiction spread them upon its record and present them to the appellate court in the transcript.*"

Thus, in the present case, as the record does not disclose admissions, or language which could even be said to remotely constitute such, it is clear that the plaintiffs' contention the case was tried on a certain theory, that is, that infringement was admitted, cannot be taken seriously and is only an additional step taken to cover up and becloud the real issue, i. e., plaintiffs' failure to sustain the burden of proof.

Plaintiffs herein, under any conceivable rule of law, could not have transferred to the defendants their essential burden of producing sufficient proof to establish infringement. In our opening brief, we have dealt fully with the measure of proof required in this regard and we will not further burden this court with additional discussion of authorities.

VIII. THE PLAINTIFFS HAVE WHOLLY FAILED TO SUSTAIN
THE BURDEN OF PROOF UPON THEM TO ESTABLISH
INFRINGEMENT.

Plaintiffs' next contention that:

“The manufacture and sale by defendants of the patented devices were conclusively established by the evidence” (pages 21 to 23 of Plaintiffs' first brief),

and that:

“Payment of royalties by Neal and Ward to Rees and Hine were for manufacture and sale of the patented device” (pages 21 to 24 of Plaintiffs' supplemental brief),

may be considered together and represent striking departures from their argument that such infringement was conceded by the defendants and no proof of it was needed. If, during the trial of this cause, the plaintiffs had actually relied upon the alleged theory that infringement was admitted, we are surprised that then they would have attempted to offer proofs on that score. The only logical conclusion to be drawn from such conduct, is that plaintiffs did not originally have the remotest idea that defendants admitted infringement, after specifically denying it in their answer, and understood that proof of it must be adduced at the trial. That they failed miserably in that attempt, cannot, in any sense, be imputed to the defendants herein, although that would seem to be plaintiffs' present object.

Plaintiffs argue that because the record indicates that the defendants gave Neal and Ward a license to make and sell *certain evaporators*, and, that the Rees Blow Pipe Manufacturing Company agreed to manu-

facture *certain evaporators* for Neal and Ward, this showing without any proof of the construction and mode of operation of the evaporators made under said license agreement would constitute proof of infringement. We cannot imagine a more illogical conclusion or one departing further from the rules of law in this respect. The mere showing that Neal and Ward had been granted a license similar to that under which the Progressive Evaporator Company, Inc., operated, does not create even the presumption that defendants must necessarily have built and sold machines having the construction covered by the claims of the patent and the *pending applications* not in evidence. Infringement is a tort, and as such cannot be proved by inference or presumption, but it must affirmatively be shown that the device complained of was in fact constructed in accordance with the claims of the patent. This is positively declared to be the law in the case of *Edison Electric Light Co. v. Kaelber*, 76 Fed. 804, 806, where in the court declared:

“There is an allegation of infringement on information and belief and a positive denial under oath. There is no proof of actual infringement. There is proof that a contract was awarded the company which if carried out pursuant to the specifications may involve infringement and may not.

* * * * *

Remembering that the burden of proving infringement is upon the complainant, and that even in a quia timet suit there must be ‘well-grounded proof of an apprehended intention to violate the patent right’, it is thought that there is a failure to prove a case against the defendant.”

Morrill v. Hardware Jobbers Purchasing Co. et al., C. C. A. (2nd Circuit), 142 Fed. 756, is a still stronger case in this regard. It was therein held that although the offer by the defendant of an application for a patent which showed a device infringing a prior patent, with a statement that defendant is manufacturing thereunder, is *insufficient to prove infringement of the prior patent*. The court said:

“We concur in the conclusion reached by the court below as to claim 1 of patent No. 441,962, for the reasons stated by the court in its opinion. The offer by defendant of a copy of an application for a patent, with a statement that the defendant is manufacturing thereunder, is insufficient alone to prove infringement. It merely serves to show that the defendant claims to manufacture its devices under the protection of said application, so far as it may be material.”

This last quoted case is directly in conflict with plaintiffs' contention that because defendants were shown to manufacture *certain evaporators* (construction of which is left to the imagination) under a license agreement, that therefore the said evaporators were constructed so as to infringe the claims of the patent. Such is the acme of absurdity.

For a further development of this principle, let us see what the court had to say in *Morton Trust Co. et al. v. Standard Steel Car Co.*, C. C. A., (3rd Circuit), 177 Fed. 931, 933:

“The last item of proof in the case is a blue print of the machine which the defendant is now using. It was voluntarily submitted to the complainants by the defendant, and was offered in evidence by the complainants as they closed their

rebuttal proofs. The counsel for the complainants contend that it shows continued infringement by the defendant. There is not a line of testimony explaining the exhibit. It is a complicated drawing, and it would be highly presumptuous in us to say it shows infringement. A combination claim is never infringed, except by the use of that which embodies every element of the combination or its equivalent. The burden of proof was on the complainants. Infringement cannot be found on the blue print alone. It follows that the complainants are not entitled to an accounting."

On pages 17 to 21 of their supplemental brief, plaintiffs again refer to the license agreement given by the defendants Neal and Ward, and that the testimony revealed that fifty devices, whatever their construction may have been, were sold. Plaintiffs further say that these devices were described in the license, but we believe this to be an erroneous statement. An examination of said agreement reveals no such description and furthermore there was not even an attempt made in said agreement to show the construction or operation of said devices.

It is next alleged that Neal and Ward paid to Rees and Hine royalties during the year 1923 for the manufacture and sale of *certain evaporators* and that the book in which the payment of these royalties was entered was exhibited to this court at the argument, and that "the payment of royalties is conclusive proof of the making and selling of the patented device". This is decidedly not so. Royalties were due if *any one of the three inventions*, with respect to which the license was granted, was embodied, and therefore the

presence of either of the two unpatented inventions, would have caused royalties to the full amount to be due.

Thus, the license expressly states that:

“WHEREAS, the Second Parties, under said firm name of Progressive Evaporator Company, have been and now are engaged in the business of manufacturing and selling devices embodying the said inventions, *or some of them.*”

(R. 37, 38.)

Furthermore, that the First Parties grant to the Third Party the exclusive right and privilege, etc.:

“of making and selling, for use in drying food substances, but for no other use, devices embodying said inventions, *or any of them,*”

(R. 38.)

and that:

“By way of royalty, the Third Party shall pay to the First Parties *on each and every of said devices,*” etc.

(R. 38.)

Thus, the mere payment of certain royalties without further proof of the mechanical construction of the devices, and the particular invention embodied therein would not justify the inference that the patented one of the three inventions was embodied in the devices on which the alleged royalties were paid. The payment of the royalties referred to therefore could in no way be held to show infringement of the patent covering *one* of said *three* inventions. In referring to the alleged royalty book at the argument before this court, plaintiffs' counsel made certain

prejudicial remarks that the defendants had destroyed certain pages of said book. So that this error may be corrected, we refer to the testimony of Mary D. Crookston, former bookkeeper for the Rees Blow Pipe Manufacturing Company (R. 352, 353), in which said witness specifically stated that this book was only a memorandum book, and that when she ceased to need certain data, the pages containing it were destroyed by herself.

**IX. MERE PROOF OF SALE AND MANUFACTURE OF A
DEVICE DOES NOT SHOW INFRINGEMENT.**

Plaintiffs seem to be laboring under the erroneous impression that mere proof of sale and manufacture, or even a showing of such, is all that is necessary to prove the issue of infringement. But the law is to the contrary and we have never discovered a case which even intimated that a mere showing of manufacture and sale would prove infringement. This court is quite familiar with the numerous authorities which undeviatingly hold that, in addition to proof of manufacture and sale, it must be clearly shown that the device complained of embodies each and every of the enumerated elements of the claim relied upon operating in the alleged infringing device according to the same mode of operation as that of the machine of the patent and accomplishing the same result.

It is surely unnecessary to again discuss the various cases set out in our opening brief which are authority for such a simple proposition that mere proof of sale and manufacture of a device, without showing

the construction and operation thereof, does not show infringement.

Therefore, regardless of the proof of manufacture and sale, which we deny, plaintiffs are left in the predicament of not having made the slightest showing of proof that the devices complained of embodied the combination of elements defined in one or more of the twelve claims of the patent in suit, and thus their omission to offer affirmative proof in this regard is fatal to their cause of action. The only possible conclusion to be drawn from this omission of proof is that infringement has not been shown.

X. LICENSE AGREEMENT DID NOT REVEAL CONSTRUCTION OR MODE OF OPERATION OF DEVICES COMPLAINED OF.

Although the license agreement given Neal and Ward was not introduced in evidence, plaintiffs contend that because the testimony shows that said license was *similar*—for it is not contended that it was identical—to the agreement held by the corporation,—an examination of the latter agreement will reveal the construction and operation of the devices upon which the royalty was paid by Neal and Ward and that fact alone creates a presumption of infringement. We have heretofore given some consideration to this license agreement and we shall add only this brief discussion. A quotation from the license to the corporation is set out on page 19 of the supplemental brief, in part as follows:

“a. On each and every such evaporator equipment, made by the Rees Blow Pipe Manufactur-

ing Company, Inc., for the Third Party and sold by such Third Party, \$55.00 for each and every truck capacity thereof and proportionately for any fraction of a truck capacity thereof."

The most significant thing in this connection is that "the evaporator equipment" was previously defined in the license, as explained supra, p. 38, as a machine embodying *any one of three different inventions*, and it is to be recalled that only one of these inventions had been patented, and that the others had progressed no further than pending applications, and as such, under legal rules and decisions, could not support a suit for infringement. The argument is next advanced that because the alleged royalty was paid by Neal and Ward under a similar license agreement, that the reference in the corporation agreement to certain "trays", corresponds more or less with the mention in the specifications of the patent of the "truck on which trays are piled", etc., and that from this infringement would be presumed. This argument is one of the weakest advanced by plaintiffs and deserves little comment. It is sufficient to say that specifications are never the measure of infringement, and that any kind or type of evaporator necessarily has trucks as an integral part of its construction and even though it had been shown that the devices complained of embodied trucks, this would have been no proof or even presumption of infringement. No claim of the patent in suit covers *merely a truck*. They all cover *combinations* of *numerous* elements. In some a truck may constitute *one* of said elements but clearly the presence of *one* such element in a

device, even if proved, would be no proof of the presence of the remaining elements of the combination, all of which are essential to proof of infringement. Plaintiffs say that the inference that the royalty applied to the patented device is "irresistible". Patent litigation is not based nor adjudicated on *inference*, and we know of no case of infringement decided on even the strongest and plainest of inferences.

Further discussion of this feature of the case and of the burden of proof and the failure to sustain that burden by plaintiffs herein, is considered unnecessary in view of the cases and argument set out in our opening brief.

A perusal of the record in this case will convince the reader that although infringement was averred and denied in the pleadings, and that such infringement or no infringement became the essential and primary issue herein involved, that there not only have been no admissions on the part of defendants conceding infringement, but that there has been a total lack of proof in this regard, and that in no way have plaintiffs sustained the burden upon them to affirmatively prove the issue of infringement.

XI. IN AN EQUITY SUIT FOR INFRINGEMENT OF A PATENT THE COURT HAS NO POWER OR JURISDICTION TO AWARD ATTORNEYS' FEES AND THE DECREE APPEALED FROM SHOULD BE REVERSED FOR RESERVING THE RIGHT TO AWARD SUCH ATTORNEYS' FEES TO PLAINTIFFS.

On pages 35 to 37 of their first brief, plaintiffs have attempted to excuse the action of the court below in decreeing that the plaintiffs herein were entitled to reasonable attorneys' fees. The only argument in this connection is that this present suit is not an infringement suit, but is "mainly a stockholders' bill to right a wrong done a corporation and only *incidentally involves infringement* of certain patent rights in which that corporation has an interest." If this is so, then this court, as well as the court below, has no jurisdiction of this case. We do not deny that attorneys' fees may be granted in a stockholders' suit and the only authorities cited in support of plaintiffs' argument all refer to litigation of that type. It is significant that plaintiffs have deliberately avoided discussion of their inconsistent attitude in their supplemental brief. Either this is a suit for infringement of certain patent rights, or it is not. In the one case, the federal courts would have jurisdiction, and in the other, they would not. Plaintiffs, in an endeavor to cover up their trial errors, have assumed both attitudes, and for the purpose of their argument have vacillated back and forth to an astonishing extent.

If infringement was not in issue, how can plaintiffs here argue that they tried to prove and offered proof of it at the trial. Likewise, if infringement was ad-

mitted, why did they try *at all* to prove it. Plaintiffs first assumed the fallacious stand that they could prove infringement by showing mere manufacture and sale, and without proving that the devices made and sold embodied the combination defined in the claims of the patent. They then invented the theory that they did not need to prove infringement, in an attempt to cure this lack of proof, which indeed is admitted on page 31 of their supplemental brief. Forgetful of the question of jurisdiction, they even took the stand that this is not an infringement suit at all, but is an altogether different kind of action. It may only be concluded that their purpose in so doing was to muddy the waters of this appeal so that their own reflection would be unrecognizable.

XII. PLAINTIFFS HAVE FAILED TO SUSTAIN THE BURDEN UPON THEM TO PROVE THAT THE CANCELLATION OF THE LICENSE TO PROGRESSIVE EVAPORATOR COMPANY INC. WAS INVALID AND OF NO EFFECT.

We have discussed at length, in our opening brief, the proposition that plaintiffs have failed to prove that the cancellation of the license to the Progressive Evaporator Company, Inc., was invalid. It is unnecessary to go into a detailed discussion of this point. In answer to this, the plaintiffs have failed to cite a single authority dealing with cancellation of license agreements in an infringement suit. Their main contentions in both briefs are that the royalties were paid to Rees and Hine and thus said defendants had no right to hold that there was a breach of the license

agreement. We believe that this is answered by the memorandum opinion of the court below which conclusively shows that it was never considered that the royalties in full had ever been paid to Rees and Hine.

“In the meantime the Rees corporation presented bills, some of which included dues for royalties as well as for dues for manufacturing, a general balance for all, credits for general payments on account, and a net balance thereof.

In October, however, the bills were changed to segregate royalties from manufacturing, no credits were applied to the former, and all thereof from the beginning appeared therein unpaid. None the less, in cash and purchaser's notes in payment or security, about all due the Rees corporation on both accounts had been received by it from the Progressive corporation; and thereof Rees and Hine had received about \$4,000 and more than half of the total of and for royalties.”

(R. 86.)

Our further point in this connection is that although Lombard well knew the provisions for forfeiture in said license upon the non-payment of royalties, he entirely neglected to insist that any payment of royalties due under the license agreement be specifically made to the persons entitled thereto under said agreement. He was the president and in charge of the affairs of said Progressive Evaporator Company, Inc. during the time when the majority of the royalty payments became due, and had the power and it was his right and duty to see that all payments made by the company were so applied and credited by the persons receiving the same, that none of the rights of the corporation should be jeopardized or endangered. But he was negligent of his duty and

paid no attention whatsoever to these matters, although, in his capacity, he undoubtedly knew of the importance of seeing that such payments were properly made, or otherwise a forfeiture would result. The record is bare of all evidence to show that he even at all asserted himself in this regard, and yet he now is the one complaining of his own negligence. Plaintiffs contend that Lombard could not protect the corporation after he ceased to be president on November 1, 1922, and that after that he could do nothing toward the payment of royalties. But the most significant fact in this regard is that it was Lombard's own act which held up the monies of the corporation until 1923 and from this alone he could have seen, and did see, that the consequence of his harassing action would force a forfeiture. (R. 155, 156, 157.) Plaintiffs further say that the corporation was entitled to a reasonable notice of forfeiture, but this is not so under the precise terms of said license agreement, and moreover Lombard previous to said declaration of forfeiture, had become aware of defendants' intention, but from his own inertia took no steps to see that payments were applied to royalties then due and payable so that the interests of the corporation would be protected.

It may here be noted that plaintiffs have entirely failed to answer our point that for the court below to hold that the Rees Blow Pipe Mfg. Co. and not Rees and Hine, was entitled to give notice of cancellation and effect a forfeiture, was, in effect, to permit the Progressive Evaporator Company, Inc., through which plaintiffs claimed, to deny the title of its licensors,

Rees and Hine, to the inventions in question. The conclusion reached by the court below therefore is not only erroneous on the facts, but contrary to law. We will do no more than again refer to the case of *In re Michigan Motors Specialties Company*, 218 Fed. 377, 379 (p. 39 in our opening brief), which excellently illustrates this point.

XIII. THE FAILURE OF THE PLAINTIFFS TO PROVE INFRINGEMENT REQUIRED A DISMISSAL OF THE BILL BELOW AND NECESSITATES A REVERSAL OF THE DECREE.

On pages 26 to 33 of their supplemental brief, plaintiffs have argued that the bill of complaint should not be dismissed. For this purpose, they have taken the precaution to assume that the manufacture and sale of the patented device was not admitted by the pleadings, and was not conceded at the trial, and that the case was not tried on that theory, and that there was no evidence of infringement based on the two agreements with Neal and Ward. They then say that should it be decided that the "manufacture and sale by the defendants was in issue in this case, was not conceded at the trial and was not shown by the evidence" the proper thing for this court to do would be to send the case back to the lower court for determination of *this one issue*. They further say that had that issue been considered as raised, they "could have proved it beyond a peradventure of a doubt". We are very glad to find counsel so optimistic in this regard, but seriously fear that he is overconfident.

It is further stated in said supplemental brief that:

“every one of the fifty evaporators that were sold in the year of 1923 were exact replicas of the patented device.”

This statement is obviously entirely outside of the record, and should not be considered. There is not one shred of proof in support of this assertion, and furthermore, we are informed that the devices sold were not constructed according to the patent. It is to be noted that counsel then admits that the proof of this question was not fully developed and offers in extenuation of this fatal oversight, the attitude of the defendants themselves. We fail to understand just what plaintiffs expected of defendants or in what degree they would have had defendants instruct them in the trial of their law suit.

We also fail to understand upon what ground the statement is based that:

“it is quite apparent from the record that there is available proof of this point,”

when shortly before, it was admitted that the record does not disclose proof of the question. (p. 31 of supplemental brief.)

In their supplemental brief, on pages 29 and 30, plaintiffs in an attempt to distinguish the cases, as set out in our opening brief, have inadvertently pointed out their direct application to the present case. Plaintiffs note that the court in *Price v. Kelly*, 154 U. S. 669 affirmed the decree because there was *absolutely no evidence of infringement*, and again in the case of *National Casket Company v. Stoltz*, 135

Fed. 535, the court held that there was no evidence of infringement and refused to remand the case for further proof. The same is true in our cited case of *Panzel v. Battle Island Paper Co.*, 138 Fed. 49. We again submit these cases for this court's approval as being directly in point with the present situation and decisive authority for the proposition that there would be no justification for remanding this case for further proof.

In the case of *Weaver Inc. v. American Chain Co., Inc.*, 9 Fed. (2nd) 369, which was a patent infringement suit, on appeal to the Circuit Court of Appeals for the Ninth Circuit, the opinion being rendered by Circuit Judge Morrow, it was held that alleged newly discovered matter was not a ground for granting leave to file a bill of review in the trial court after appeal had been perfected.

The cited case goes much further than the present situation, in that plaintiffs herein do not allege any *newly discovered evidence*, but simply a mass of alleged evidence, which may or may not have existed, but which, if it did exist, was fully accessible to the plaintiffs at the time of the trial. Indeed, if we are to believe counsel's statement that beyond the "peradventure of a doubt" this proof could have been adduced, then, under the rule of the *Weaver* case, *supra*, there is absolutely no basis here for the contention that instead of dismissing the bill, the case should be sent back for further proofs.

We note with amazement one remark of counsel to which we wish to draw attention as it seems to relate

to his alleged appeal to this court upon equitable principles. He says:

“would it be justice then, when the acts of defendants’ counsel lead to this claimed defect in proof to dismiss the case?”

We wish to indicate here that this is the first time that we have ever heard it claimed that counsel, when aware of the opposition’s oversight and omissions at the trial of a lawsuit, should offer suggestions and advice and point out to opposing counsel his trial errors. The sole responsibility for plaintiffs’ failure to prove infringement at the trial of the case at bar rests solely on their own shoulders, and cannot, in any sense, be imputed to the defendants herein.

In view of the authorities to the contrary, we cannot believe that counsel is serious in his contention that this case should be sent back for further proof as to this one issue, in support of which issue not a shred of evidence or proof was adduced. This entire action directly relates to and depends, as does the jurisdiction of this and the court below, upon the issues of infringement. The decree, from which this appeal is taken is essentially based upon the issue of infringement. Therefore, as there is positively no proof of infringement in the record, this decree, in finding infringement, is clearly erroneous and requires reversal.

It is to be recalled that this question of further proof does not involve an examination of the proof of infringement *to see if such proof is sufficient*—*there is no such proof whatever* in the record to be considered.

The cases cited by counsel have no application to the question herein involved. They all deal with situations where there was first a creditable showing of proof on which to lay other evidence at the rehearing, or, they include determination of questions which are so entirely outside the scope of the present issue that they could have no present application. They thus differ radically from the case at bar wherein there is no proof at all of infringement.

It is to be remarked that counsel has not cited a single case dealing with an analogous situation in an infringement suit. A quotation is taken from 4 *Corpus Juris* 1193, but plaintiffs as usual, have deleted it of any expression dangerous to their own contention. The portion which is set out on page 27 of their supplemental brief, refers exclusively to actions at law and not to equitable actions. Plaintiffs have failed to quote further from the same paragraph as follows:

“the awarding of a new trial on reversal is much more common in actions at law than in actions in equity, this being due in part to the lack of power of an appellate court to determine questions of fact in an action at law and the consequent necessity of a remand for further proceedings where, after reversal, it is necessary to determine questions other than those purely of law.”

The same is true of the quotation from 4 *Corpus Juris* 1199. It will be seen that Section 3239 relates exclusively to actions at law and has no application to equity suits. But inasmuch as counsel has elected to quote therefrom, it might be well to see what is said further on. Thus, 4 *Corpus Juris* 1200, Section 3240, reads:

“However, where there is more than a mere defect of proof, that is, a total failure of proof, there being no legally sufficient evidence of defendant’s liability and the verdict being founded on mere conjecture, the appellate court, on reversal of judgment for plaintiff will not award a new trial.”

The case of *Wiggins Ferry Co. v. Ohio Railroad Co.*, 12 Sup. Ct. Rep. 188, 195, is also cited by plaintiffs. This was an appeal from a final decree dismissing an intervening petition by the plaintiffs in a suit for the foreclosure of a mortgage upon certain property. The facts and the issues of this and the present case are so dissimilar as to warrant no possible analysis.

The case of *Dillingham v. Allen*, 205 Fed. 146, is not in point. This was an appeal from an order sustaining exceptions to a Master’s report advising judgment for plaintiff. The court had sustained exceptions to the Master’s report regarding the value of the timber cut on the theory that the plaintiffs had failed to prove the market value of said timber. Thus, the lack of proof related solely to the measure of damages and in no way can such a ruling be applied to the present infringement suit.

The case of *City of St. Louis v. Western Union Telegraph Co.*, 13 Sup. Ct. Rep. 485, was a suit at law and the court was considering questions of estoppel and the application of ordinances. In no particular can it have any point in common with the present action.

The case of *Exchange National Bank v. New York City Bank*, 5 Sup. Ct. Rep. 141, was also a suit at

law and the court remanded the case, for the reason among others, that there was nothing in the finding of facts on which to base a judgment for any specific amount of damages.

Considering these authorities as a whole, we cannot imagine a class of cases cited in support of a particular argument, which has less application to the issues herein involved. They require no further comment.

XIV. CONCLUSION.

The essence of this action is the issue of infringement. It was upon this theory that the court below took jurisdiction and based its decree.

In this and our opening brief, we have attempted to point out *plaintiffs' total failure* to sustain the burden of proof to establish infringement.

It is therefore respectfully submitted that the plaintiffs have failed to sustain the burden to prove either infringement or any other right to maintain this suit, and that for said reasons and the other errors of law hereinbefore pointed out, the decree should be reversed with directions to dismiss the bill of complaint.

Dated, San Francisco,

June 30, 1927.

Respectfully submitted,

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